



U.S. House of Representatives

Washington, DC 20515

COMMITTEE ON THE BUDGET

November 10, 2021

Thomas A. Barthold, Chief of Staff
Joint Committee on Taxation
502 Ford House Office Building
Washington, DC 20515

Dear Mr. Barthold:

In its budget proposal for Fiscal Year 2022, the Biden Administration included a proposal to create a “comprehensive financial account information reporting regime.” This original proposal would have required financial institutions to report to the Internal Revenue Service (IRS) the financial activity for any personal or business bank, loan, or investment accounts that have gross inflows or outflows of \$600 or more – encompassing virtually all Americans. Despite claims that this would help the IRS go after the wealthiest 1 percent, this proposal was clearly designed to include working-class Americans.

On October 19, 2021, the Biden Administration and Congressional Democrats released updated provisions to their proposal, increasing the threshold to \$10,000 and providing an exclusion for “wage and salary earners and federal program beneficiaries.” Even with these changes, I am still deeply concerned this policy would encompass the majority of Americans. According to the Biden Administration’s *Fact Sheet* on the updated provisions, the new objective is to target those who are “accruing other forms of income.” This clearly refers to gig workers, farmers, landlords, small businesses, and more – all of which earn income that is not reported on traditional W-2’s. Additionally, this would hit the tens of millions of Americans with income from alimony, Individual Retirement Accounts (IRA), interest, Health Savings Accounts (HSA), and much more.¹

While this proposal would exclude someone whose income comes *only* from a W-2 or federal programs, it encompasses *anyone* who has over \$10,000 in income from other sources. According to the Biden Administration, “wage and salary *earners*” are excluded, not “wage and salary *earnings*.” Is it fair to assume that an hourly W-2 worker who also drives Uber on the side or sells on eBay would have *all* of his or her income subject to scrutinization – severely punishing Americans for nothing more than working hard and trying to provide for their families?

¹ Table I.4. All Returns: Sources of Income, Adjustments, and Tax Items, by Size of Adjusted Gross Income, Tax Year 2018 (Filing Year 2019), Internal Revenue Service, <https://www.irs.gov/statistics/soi-tax-stats-individual-statistical-tables-by-size-of-adjusted-gross-income>.

In addition to targeting income, this proposal calls on the IRS to also target expenses. A \$10,000 annual threshold on outflows means an American would have to spend less than \$833 per month, or \$28 per day, to avoid being targeted. Considering that approximately 80 percent of the country spends more than that on rent alone² and that the average taxpayer spent over \$10,000 on food and entertainment in 2020,³ it's safe to assume that virtually every American would be encompassed by this proposal – despite the Biden Administration's phony attempt to say otherwise.

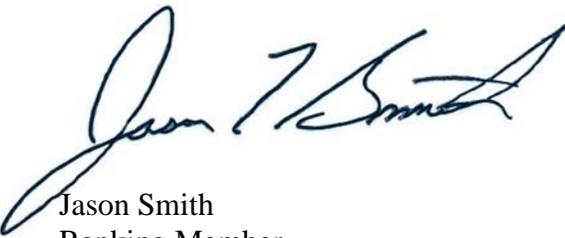
During the Obama-Biden Administration the IRS targeted and discriminated against conservatives, and just months into the Biden Administration the IRS has leaked highly sensitive taxpayer information. These are just a couple examples of the IRS's abuse that make it clear that turning local banks into a new enforcement arm will only further empower the IRS to harass Americans and violate their privacy.

I fear that the consequences of this policy proposal will be far-reaching – impacting Americans across the income spectrum.

To better understand its impact on Americans, I request a formal Joint Committee on Taxation analysis on the number and proportion of taxpayers who will be impacted by this proposal, specifically on those making under \$400,000 per year.

If you have any questions or need additional information, please contact Josh Rowley (Josh.Rowley@mail.house.gov) or Kathryn Chakmak (Kathryn.Chakmak@mail.house.gov) at the Committee on the Budget.

Sincerely,

A handwritten signature in black ink, appearing to read "Jason Smith". The signature is fluid and cursive, with a large initial "J" and "S".

Jason Smith
Ranking Member
Committee on the Budget

² *Select Housing Characteristics*, Census Bureau, <https://data.census.gov/cedsci/table?q=United%20States%20Housing&t=Renter%20Costs&g=0100000US%240400000&tid=ACSDP1Y2019.DP04&hidePreview=true>.

³ *Consumer Expenditures –2020*, September 9, 2021, Bureau of Labor Statistics <https://www.bls.gov/news.release/cesan.nr0.htm>.